



# Legislative Audit Division

## Performance Audit Summary

### Telework in Montana State Government

September 2003

#### Introduction

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The Legislative Audit Committee requested a performance audit of telework in state government. Telework or telecommuting can be defined as a flexible work arrangement where designated employees work one or more days a week from home or an alternative worksite instead of physically traveling to a central workplace. At present, most agencies do not have formal telework programs or policies. The decision for a state employee to telework is generally an informal one between a worker and their supervisor.

Telework offers significant benefits to state agencies and we believe the state should invest in the efforts to expand the use of telework. Telework often requires some expenditure for placing computers in employees' homes and for providing access to the state's computer network. However, these costs are small in relation to the cost savings in increased productivity, reduced office space needs, and reduced employee recruiting and training expenses.

The audit focused on determining the current use of telework in state government and comparing this to the use of telework in other public and private entities across the country. The general audit objectives were to:

- Provide information to the legislature about telework.
- Determine how and why telework is used in public and private entities.
- Determine how and why telework is currently used in Montana state government.
- Determine if telework could be expanded in Montana state government.

#### What is Telework?

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Telework is a work arrangement where an employee works at an alternative worksite such as the employee's home, a telecenter, or other worksite, which saves or reduces the employee's trips to the main worksite. Experts in telework define a teleworker as an employee who regularly works at an alternative worksite at least once a week. Some teleworkers work full time in what is sometimes known as the "virtual office". More commonly, teleworkers work at an alternative worksite one or more days per week. Many state employees have tasks that can be completed through telework including: analysis, computer programming, data entry, design work, editing, evaluations, field visits, graphics, preparing

budgets, preparing and monitoring contracts, project management, reading, research, word processing, and writing.

#### Telework in the Public and Private Sectors

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Telework is growing in both the public and private sectors. The number of teleworkers in the U.S. has increased from about 3 million workers in 1990 to about 28 million (20 percent of workforce) in 2001.

Many employers recognize telework as a management tool for increasing employee productivity, attracting and retaining quality employees, and helping employees balance work and family obligations. Telework provides another type of workplace flexibility along with job-sharing, part-time work, compressed workweeks, and flextime. However, telework also offers challenges both to managers and to teleworkers themselves. Managers need to use a different management style since workers cannot be directly observed while working. Managers need to place an emphasis on the results produced rather than the number of hours worked. Telework also does not work for all employees. Some need to be in the office for the interaction with other people. Others need technology that may not be available at their alternative worksite.

#### Current Telework in State Government

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In Montana, state workers have been conducting work from alternative worksites for many years, but the terms telework and telecommuting are fairly new to state government. The terms are not used in Montana statutes. The first reference to telecommuting came during the 1999 legislative session in SB431. This bill was an act "promoting telecommuting for employees for all branches of state government." The bill did not pass out of committee, but the Director of the Department of Administration agreed to issue a telework policy without a legislative mandate.

The results from a survey we completed indicate there are about 450 state government teleworkers or 3.8 percent of the workforce for the agencies responding to the survey. We believe the number of teleworkers is underreported since most of these agencies are operating without formal telework policies and agencies do not track these workers.

During our audit we have found state agencies are currently using telework in several different ways.

1. Field Workers. Some agencies assign specific workers to work out of their homes because of the type and location of their work.
2. Traditional Teleworkers. Workers in this category typically choose to work from an alternative worksite one or more days per week and “commute” to their offices using computers and other technologies.
3. Situational Teleworkers. These workers work out of their homes on more of an informal basis. A worker in this category may occasionally work at home on a project like writing or editing a report or because of a medical or other reason.

### **What Would the State Gain From Expanded Telework?**

State agencies that are currently using teleworkers reported many benefits when answering our agency survey. For agencies with field workers, 70 percent of the agencies said telework increased employee productivity, improved customer service, and improved employee morale. Sixty percent of these agencies said telework reduced office space costs and reduced employee turnover. For agencies with non-field teleworkers, 65 percent indicated telework increased productivity.

There are several current concerns in state government that could be addressed through telework including improved recruitment and retention of state employees, reduced office space costs, and reduction in personnel-related costs. The North Carolina State Auditor conducted an in-depth study of telework in state government. The auditor estimated an annual productivity benefit of \$21.6 million, annual space savings of \$5.2 million, and annual avoided turnover costs of \$2.5 million for the state of North Carolina if 5 percent of eligible state employees participated in teleworking.

### **State Government Could Expand the Use of Telework**

Telework opportunities are growing in both the public and private sectors. Because state government has many of the types of jobs that are suitable for telework, and because many agencies have not significantly incorporated telework into their management options, there is room for expanding the use of telework in state government.

Based on the information we have collected through research, through our agency telework survey, and through our contacts with agency staff, we believe telework offers significant benefits to state government. These benefits include increased employee productivity, reduced office space requirements, reduced use of employee leave, and an increased labor pool.

*We recommend the Governor encourage expansion of a state agency wide telework program and also designate the Department of Administration as the lead agency in implementing the program.*

### **Telework Issues**

There are several issues associated with telework that need to be addressed by state agencies if telework is to be successfully expanded to include more employees. These issues include:

- Equipment and services for teleworkers.
- Accessing the state’s computer network from remote sites.
- Data transmission speed.
- Insurance coverage for home offices.

Many of these issues are tied to the use of computers to remotely access the state’s computer network. State agencies and the Department of Administration have been working on these issues and solutions are being found. In most cases these technical issues should not be a deterrent if the agency and the employee both agree telework is a beneficial option.

For a complete copy of the report (03P-01) or for further information contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the web site at <http://leg.mt.gov/audit>.